# FOREIGN AGRICULTURE

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## Bad Weather Hampers Farm Advances in Philippines

June 2, 1975

Foreign Agricultural Service
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In this issue:



**This week's cover:**

**Rice is one of the Philippine crops that were damaged this year by an unusually large number of typhoons, but, thanks to improved hybrid varieties of rice and increased acreage, 1974-75 production will be about the same as last year's.**



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# Philippine Progress Slowed By Inflation, Bad Weather

By GLENN SAMSON
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THE PHILIPPINES was saddled with rampant inflation and some highly unfavorable weather in 1974, but the economy achieved a real growth rate of 6 percent, and farmers registered a 7 percent increase in crop production. Both gains are substantially lower than 1973 advances, but are probably better than could be expected considering an inflation figure that averaged 35 percent for the first half of 1974, and a series of typhoons that severely damaged many Philippine crops.

The GNP in current prices is estimated at $1.2 billion, a 36 percent surge above the 1973 total, and the per capita average reached $300. But the bloated inflation rate makes these figures deceptive. In 1967 dollars, per capita income actually grew only slightly, from $140 in 1973 to $143 in 1974.

The Philippine balance of trade suffered from the same malady that has come to plague most nations not self-sufficient in fuel. The balance capsized from a $240 million surplus in 1973 (the first surplus in 9 years) to a deficit of $300-$400 million for 1974. The main reason for the turnaround was a petroleum import bill that rose from $296 million in 1973 to $650 million in 1974.

Philippine agriculture did more than its share to keep the trade balance in the black. Agricultural exports accounted for about 52 percent of total foreign exchange receipts in 1974, versus 43 percent in 1973. Total value of agricultural exports soared to a record $1.6 billion last year, more than double the 1973 export value of $791 million.

Again, however, inflated prices make these figures deceptive. Of all major agricultural exports, only canned pineapple and bananas actually increased in volume—almost all others sank substantially.

Coconuts are a case in point. The aggregate volume of coconut products exported in 1974 fell 29 percent from the 1973 level, but total export value climbed 76 percent.

Exports of sugar were down slightly, while shipments of tobacco, molasses, and abaca were considerably below 1973 levels. Generally, the slump in export volume was the result of a decline in domestic output, caused to a large extent by the bad weather.

Export volume of canned pineapple was up 21 percent over 1973 levels, and banana exports climbed 40 percent, as these crops made a strong recovery from 1972-73 drought.

The United States continued to be the Philippines principal trading partner for agricultural commodities. The United States absorbed 59 percent of the islands' agricultural exports in 1974, $925.8 million worth. In 1972, it took 63 percent, and in 1973, 59 percent. Sugar and coconut products made up 94 percent of the U.S. intake in 1974. Other important agricultural exports to the United States are canned pineapples, tobacco, and abaca.

Nearly half of the Philippines agricultural imports came from the United States in 1974, about the same portion as in 1972 and 1973. During 1974 the Philippines imported a record $173 million worth of U.S. agricultural products.

Three commodities made up the bulk of these imports: Wheat, raw cotton, and soybean meal.

THE UNITED STATES dominates the Philippine market for wheat, which makes up 21 percent of total Philippine agricultural imports. U.S. wheat supplied nearly 80 percent of the total volume in 1973, and provided 74 percent of 1974 imports. This year U.S. wheat exporters are expected to fare even better, with their share of the market at about 80 percent.

The Philippines second most impor-

tant import from the United States is raw cotton. Total imports amounted to $29.6 million in 1973 and $34.7 million in 1974, with the United States supplying 99 percent in both years.

Most of the soybean meal and leaf tobacco imported by the Philippines also comes from the United States. The United States accounted for 82 percent of the total import value of soybean meal in 1973 and 89 percent of the $6.5 million worth imported in 1974. Eighty-two percent of the $8.2 million worth of leaf tobacco imported in 1973 came from the United States, as did 94 percent of the $13 million imported in 1974.

Financing of the record 1974 imports from the United States was all in cash, with the exception of $3.6 million worth of tobacco under the P.L. 480 agreement of April 30, 1974.

Expiration of the Laurel-Langley Agreement on July 3, 1974, officially marked the end of the preferential trade relationship shared by the Philippines and the United States. The termination of the agreement has had no apparent effect on overall trade relations, partly because it had been anticipated by both countries, but primarily because rising prices appeared to be influencing trade more than the loss of preferences.

*Rice has been grown for thousands of years on the famous terraces of the Ifugaos tribe on the island of Luzon, above. Banana plantations on the southern island of Mindinao, the second largest in the Philippines, use small trains like the one pictured left to transport the bananas to the packing sheds.*

THE END of U.S. preferences for Philippine exports, which occurred on December 31, 1973, went virtually unnoticed in the glow of the commodity export boom. U.S. firms involved in Philippine natural resources had already reduced their share of ownership to the 40 percent maximum permitted to foreigners. President Marcos issued a decree promulgating a 1-year moratorium until May 27, 1975, on Government action concerning U.S. holdings and leases of public lands.

The Philippines hopes that the Trade Reform Act recently approved by the U.S. Congress will enable the United States to provide trade concessions to the Philippines, but lack of a formal agreement in the post-Laurel-Langley era is not expected to impede the growth of economic and commercial relations. President Marcos observed that Filipinos and Americans are used to and trust each other, saying "These are things that do not go into treaties, but they do exist."

There are mutual advantages in continued trade and investment for the two countries. The United States depends on the Philippines for a large supply of sugar and almost all of its coconut oil. Most of the Philippines imports of wheat, raw cotton, and feedstuffs are shipped in from the United States.

Despite the entry of Japan as the other major market for the Philippines, the United States continues to be of primary importance for traditional Philippines exports, and will be a major market for new manufactures from the growing Philippine industry.

**Wheat.** Wheat and flour imports during 1973-74 totaled 524,000 metric tons, 15 percent below last year's level. The decline was due to high wheat prices and uncertainty about Government plans. The United States supplied 79 percent, or 414,000 tons, of total 1973-74 imports, compared with a 72 percent share of Philippine wheat imports during 1972-73.

Imports from the United States in 1974-75 are expected to fade more than 14 percent, to about 355,000 tons, as the Philippines diversifies its sources of foreign wheat.

**Rice.** The official Philippine estimate of the 1973-74 rice crop is 5.6 million tons, compared with 4.4 million in 1972-73, and 5.1 million in 1971-72. The increase in production is attributed to the use of new hybrid varieties developed by the International Rice Research Institute and the Government's "Masagana 99" program for the expansion of rice growing.

The production area increased from

*Philippine women sort flue-cured tobacco for domestic cigarettes or export.*

7.7 million acres in 1972-73 to 8.5 million acres in 1973-74. Despite the record production year, the Government imported 316,000 tons (milled basis) of rice in the 1973-74 season.

Because of the large number of typhoons, the 1974-75 rice crop is not expected to exceed the previous year's crop. Imports, which in 1974 came mostly from the People's Republic of China, Japan, and Thailand, are expected to decline in 1975.

**Corn.** The 1973-74 corn crop is officially estimated at 2.3 million tons from 6.8 million acres. This was a 25 percent increase over the drought-stricken 1972-73 crop, but also reflected a 19 percent rise in production area.

Despite this substantial corn crop, it was necessary to import 90,000 tons in 1973-74 to meet the increasing demand for corn by the growing livestock industry. The United States supplied 77,000 tons and Thailand the remainder.

The forecast for the 1974-75 crop is for 2.3 million tons from 7 million acres, which would still fall short of demand. The United States has supplied 56,000 tons so far during 1974-75, and Thailand 25,000 tons. The Philippines will probably import another 50,000 tons prior to June 30, 1975.

**Bananas.** The 1973 banana crop was a little over 1 million tons from 611,000 acres. The 1974 crop has not yet been officially estimated, but it should show jumps in both production and area. Yields have continued to climb.

Exports in 1973 totaled 466,000 tons as the Philippines passed Ecuador as Japan's chief supplier. Exports soared to about 650,000 tons in 1974, and, barring disastrous weather, should shoot up to 700,000 tons in 1975.

**Cotton.** Imports of raw cotton during 1973-74 amounted to a record 198,000 bales (480 lb net), 51 percent above the previous year's level, but 1974-75 imports are not expected to exceed 130,000 bales. The major reason for the reduction is inflation and a weakening demand for textiles. The level of cotton imports could be even lower if the Philippines continues to balk at initiating letters of credits for shipments already contracted. Domestic consumption for 1974-75 is now estimated at 110,000 bales, 37 percent below last year's level.

**Coconuts.** Production of copra in calendar 1974 has been preliminarily estimated at 1.29 million tons, 29 percent below the 1973 production of 1.81 million. The reasons given for the slump in available production are the harvesting of immature nuts to take advantage of high prices, continued slow recovery from the late 1972 and early 1973 drought, and rampant smuggling to avoid the premium tax and export tax on copra.

Weather has been favorable for coconut production since late 1973, and 1975 production may equal or surpass the 1973 level. Output for 1975 is estimated at 1.85 million tons, 2 percent above the 1973 level.

The downswing in production in 1974 caused the aggregate volume of exports of coconut products to fall off 29 percent, though export value shot up 76 percent. The recovery in production expected for 1975 should cause the volume of exports to increase substantially, but total export value will probably rise only slightly: world prices have retreated nearly 50 percent from their peak levels in 1974.

**Sugar.** Centrifugal sugar production rose 8 percent during the 1973-74 season, to 2.9 million short tons, raw value. Yield per ton of cane was down, however, from 219 pounds in 1972-73 to 209 pounds in 1973-74, because of heavy rains at the start of the milling season and reduced use of costly fertilizers.

Sugar production for 1974-75 is expected to be slightly more than 2.8 million short tons.

The United States received 1.44 million short tons of Philippine sugar against its calendar 1974 import quota. With no U.S. import quota to fill in 1975, shipments to the United States are forecast to be down sharply.

**Pineapple.** Production of fresh pineapple for 1973-74 is estimated at 402,000 tons (fresh equivalent basis) from 80,300 acres. That total is expected to grow modestly in 1974-75, to 405,000 tons. Canned pineapple production for 1973-74 is estimated at 150,000 tons, from 256,000 tons of the fresh pineapple crop.

Exports of canned pineapple were down 16 percent in calendar 1973, totaling 91,000 tons. But a recovery is forecast and exports should total 120,000 tons for calendar 1974. A little more than half of the canned pineapple shipped in 1974 went to the United States.

**Abaca.** The abaca industry is flourishing in the Philippines. Production is up 12 percent in 1974, totaling 734,000 bales (279 pounds per bale), and 1975 production should exceed 800,000 bales. Exports in 1974 were down slightly, to 437,000 bales, roughly half of which was purchased by the United States.

**Tobacco.** Philippine tobacco production decreased by 9 percent in 1973-74 to 78,530 tons (farm weight), and will probably shrink by another 27 percent this season. Stimulated by good domestic and export demand, however, a trend is developing toward increased production of flue-cured and burley tobacco, while output of native cigar tobacco is fading due to lower prices.

# U.S. Rice Growers Urged To Expand Commercial Markets

RICE HAS ALWAYS been a U.S. export crop. Development of the U.S. rice industry started in about 1694, and by 1698 sufficient rice was being produced to warrant an effort to export it. That same year a petition was drawn up in South Carolina where the rice was being produced to get the English to drop their import tariffs on colony-produced rice. Two years later about 300 tons were shipped to England.

The battle to sell American rice overseas has been going on for a long time. It is likely to continue. We produce far more rice in this country than we consume and that means we have to sell abroad. Basically there are two ways of doing this: Moving excess U.S. rice production through concessional sales and grants; or working to develop more commercial sales abroad.

Export marketing of any crop grown competitively around the world is a tough nut to crack, yet it is the primary game that U.S. rice growers and millers are involved in. This is likely to continue to be the case—unless American eating habits change drastically or the rest of the world suddenly quits eating rice. Neither of these occurrences is likely.

About 71 million people are added to the world's population each year and of these, about 48 million are added in the developing countries. Another 13.4 million are added to the population of China and the other centrally planned Asian economies.

These statistics mean that most of the growth in the world's population is coming in areas where rice is the staple of life, a dietary necessity, and a food of high consumer desirability. This should point the direction for the U.S. rice industry. It hopefully points the way toward viability and prosperity.

The need for more rice is well documented, and over the long run that need will continue to grow. The question is how best to approach this opportunity and how best to serve those added customers on a continuing and commercial basis.

**Based on a recent speech by Assistant Secretary of Agriculture Clayton K. Yeutter before the 76th Annual Meeting of Rice Millers Association, New Orleans, La.**

In recent years much of the thinking in the U.S. rice industry has centered around domestic support prices and trying to move substantial surpluses through the P.L. 480 program. This has been masked somewhat during the last 2 years because of the poor world grain crops of 1972 and the subsequent high demand for all grains.

At present the urgency of that demand is moderating, following increased rice supplies in nearly all exporting countries during this last year. Prices have declined from the record peaks of early 1974. Thai quotations, for example, have dropped 37 percent.

Three exporters—the United States, the People's Republic of China (PRC), and Thailand—account for about three-fourths of all the rice moving in international trade. Both the United States and Thailand have turned in record crops this past year. The PRC also seems to be headed for a record. It shows no signs of reducing export offerings of rice.

Egypt, Australia, Italy, Argentina, and Uruguay are also in a stronger rice exporting position this year than last. Even North Korea has entered the selling market, reportedly with about 500,000 tons to move.

ONLY PAKISTAN and Japan, both of which unloaded heavy surpluses during the early 1970's, are reducing their rice offering this year.

All this has led to a worldwide drop in rice prices, but the picture is not all bearish. In 1975 we are seeing increased purchasing by Sri Lanka, Bangladesh, and South Korea. Much of this, however, is on a concessional basis.

U.S. rice prices have been somewhat shielded from the weakening world prices by an increased demand in the Middle East for high-quality, long-grain rice. Most noticeable has been increased cash buying by Iran. (Iran has bought more than 400,000 metric tons of U.S. rice in the current marketing year, August-July, about 300,000 of which has already been shipped.)

These countries illustrate where at least some of the future markets for U.S. rice will be found.

Many of the developing countries—places that we have traditionally thought of as concessional markets—are beginning to come on-stream economically. Much of the world's remaining mineral wealth and natural resources are found in these traditionally impoverished areas.

This is shifting the balance of economic strength and beginning to bring cash to places that have never before had it. They are using that new income to enter commercial trade.

THEY ARE making capital investments within their own borders and developing the economic framework that will enable them to become continuing members of the world marketplace. Some of our aid recipients will someday become our best cash customers. Some—Taiwan, Korea, and Spain—already have.

Meanwhile, rice will continue to play a major role in this country's food aid shipments. P.L. 480 rice shipments for marketing year 1974-75 will be up an estimated 7 million hundredweight (cwt)—unmilled basis. This will put them at about 25 million cwt. compared to 18 million a year earlier.

Right now the United Nations estimates that about 460 million of the world's 3.8 billion people are malnourished. Most of them need more basic wheat—to fill out their diets. Certainly we will continue to help these people with food aid as much as is possible.

But trends show that on the average the 3.8 billion people of the world had about one-fifth more food to eat per person in 1973 than did the 2.7 billion people living in 1954.

This is not to say that the world does not have food problems, particularly the 2 billion people now living in Eastern and Southeastern Asia. Food aid will be needed for a long while to come. But as the world's experience with food aid grows, we are slowly learning that direct shipments of food often do not work nearly as well as we would hope. The developing country that receives such aid often is not capable of satisfactorily handling distribution.

Grain sometimes rots on the unloading docks, or rodents feast on it while it awaits in-country shipment. Worse yet, some of it gets into the black market trade damaging the traditional marketing network, which leads to a further weakening of the recipient country's ability to feed itself.

Massive food aid shipments to a developing country unavoidably compete

in one way or another with that country's own grain production and marketing. This drives down the in-country price of grain and makes it even harder for local farmers to make a living. In the long run, food aid may become counter-productive.

In the years ahead all forms of food aid will be scrutinized and reappraised —by USDA, by Congress, and by the general public. Greater emphasis will probably be given to trying to help lesser developed countries improve their own agriculture and their own ability to feed themselves.

Food aid shipments, whether continued on a massive scale or not, are a poor basis for establishing a viable and continuing form of commercial agricultural production, either here or in the recipient nations.

For a grain to be a good food aid item it must be inexpensively produced and available in large quantities. That puts rice at a disadvantage right away. There are other grains in the United States that can be produced more cheaply and in greater quantity.

As a hypothetical case, let us say that a government has access to 100 million bushels of wheat worth $3.00 a bushel and 100 million cwt. of rice worth $8.00 a bushel. Both commodities are equally available for purchase. What the government wants to do is help feed the maximum number of people for the least amount of money. Which commodity is it going to buy? Given the limits of budget, the least cost commodity, wheat, will be chosen.

Even if there is only one commodity, rice, involved, the volume shipped as aid is likely to drop as the commercial price rises. This happened in 1973. During the current marketing year, as the price of rice moderated, the volume shipped under P.L. 480 rose once again.

If U.S. rice growers and processors depend on food aid as a basic underpinning for their industry, they must resign themselves to usually being residual suppliers in the world market. That is not a desirable situation.

There is a better way to build a future, and that is to turn further toward the marketplace.

Rice growers and processors can reconcile themselves to being the supplying arm of a Federal food aid program, or they can strike out to capture a larger share of the commercial markets that are developing.

# Big Soviet Grain Crop in 1975 Needed To Meet 5-Year Goal

By A. PAUL DANYLUK
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As THE Soviet Union's current 5-year plan heads into its final year, the success or failure of the 5-year goals set for grains hinges on the final outcome of the 1975 harvest.

As of mid-May, prospects were questionable that the grain production target could be met. And grain purchases by the State—a good barometer of import needs—seem destined to fall short of the nation's goals.

To fulfill the 5-year production target, the Soviet Union must harvest at least 208 million tons of grain in 1975. To meet the procurement target, the State must purchase 117 million tons.

*"The record 1973 grain harvest was important from the standpoint of bringing grain output up to a level where planned goals were attainable."*

Under 1971-75 plan, the USSR has targeted grain production at an average annual 195 million tons. Actual production during 1971-74 averaged a noteworthy 191.8 million tons a year—just 2 percent below the plan. The small margin between the actual and planned levels is, of course, due largely to the spectacular 1973 harvest. This record crop helped raise previously lagging grain production from a 2-year average of only 174.7 million tons to a 3-year average of 190.3 million.

The record 1973 grain harvest was important from the standpoint of bringing grain output up to a level where planned goals were attainable.

But considering the adverse weather conditions under which grains were harvested in 1973, higher-than-average amounts of moisture and trash were included in the announced 222.5-million-ton harvest. Thus, what appears to be a favorable level for achieving the annual production targets may be somewhat misleading.

Soviet statistics relate only to gross production, so that an undetermined percentage must be deducted to reach the dried and useable tonnage. Net output could be as much as 10-15 percent below the gross production level, considering moisture problems and storage losses.

Although the 5-year goal dictates that at least a 208-million-ton harvest is necessary during 1975, the recently announced annual plan for 1975 calls for a harvest of 215.7 million tons. If achieved, such a harvest would push the 5-year annual production average to 196.6 million tons—1.6 million over the targeted level.

Soviet performance during 1973 and 1974 indicated that chances of producing the required 208 million tons in 1975 were fairly good. Barring continued adverse weather during 1975, the grain harvest could help close the production gap.

Increased capital investments by the Soviet Union in agriculture during

USSR: GRAIN PRODUCTION AND PROCUREMENT, ACTUAL AND PLANNED
[In million metric tons]

| Item | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|
| **Grain production:** | | | | | |
| Planned, 1971-75 avg. | 195.0 | 195.0 | 195.0 | 195.0 | 195.0 |
| Actual | 181.2 | 168.2 | 222.5 | 195.6 | [1]208.0 |
| **Grain procurements:** | | | | | |
| Planned | 75.0 | 78.0 | 81.0 | 84.0 | 87.0 |
| Actual | 64.1 | 59.9 | 90.5 | 73.0 | [2]117.0 |

[1] Required production to meet planned average levels for 1971-75.
[2] Required procurements to meet planned average levels for 1971-75.

1975 should aid in providing a stronger base to agriculture through additional fertilizers, farm machinery, irrigation, and other land improvements. Although the return per unit of investment in Soviet agriculture leaves something to be desired, the sheer vastness of all resources and inputs combined should generate the forward motion necessary to increase output, as was evident during 1973 and 1974.

Low productivity of the farm labor force and incentive levels to a large extent were responsible for the low returns per unit of investment in Soviet agriculture. Although farm wages reportedly have increased, the index of labor productivity during 1974 declined by 1.7 percent, compared with 1973. Consequently, the modest gains in Soviet agriculture have been attained at a tremendous expense, aggravated by low labor productivity and high waste.

Perhaps as significant as the production prospects is the outlook for State procurement, since this provides another indication of grain stock levels and import needs. Chances of meeting the 5-year goal for grain procurement appear to be bleak. State purchases are unlikely to be high enough in 1975 to overcome the lag evident in the past 4 years.

Even though grain procurements from the excellent 1973 crop soared over planned levels by 9 million tons, average yearly grain purchases during 1971-74 fell 8 million tons—or 12 percent—short of those planned.

To remedy the shortfall of the past 4 years and meet the plan, grain purchases this year would have to reach 117 million tons. This level of procurement is virtually impossible, considering the size of the harvest required for procuring such large amounts of grain. Considerable quantities of grain must also remain on farms to meet the needs of the USSR's livestock industry.

The highest State grain purchases during the past 4 years were made in 1973—90.5 million tons—from the 222.5-million-ton harvest. If the 1973 harvest and purchases can be repeated in 1975, grain purchases for the period of the plan would still be 27 million tons or 7 percent short.

The significance of this shortfall is that it centers mainly on grain for feed use. During 1970-72, wheat accounted for more than 71 percent of the total grain purchased, while feedgrains ac-

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# World Commodity Trade Problems Spark Search for New Solutions

By JOANN HALLQUIST
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VOLATILE PRICES and threats of curtailed access to supplies continue to spark new interest in proposals for international solutions to world commodity trade problems.

The trade issues are long standing, but they are expected to be of heightened interest in the coming months because of increased pressure from developing countries and because some nations participating in the multilateral trade negotiations will attempt to achieve their goals through commodity arrangements.

A number of international measures have been proposed in various forums to solve commodity problems, including commodity arrangements, arrangements involving centrally managed stocks, indexation, endorsement of activities by producer associations, compensatory financing schemes, and an integrated approach using all or a combination of these mechanisms.

DESPITE THE STRONG interest of developing countries in schemes to stabilize their export earnings, there is as yet no common agreement among them as to which proposal will best help them solve problems such as overproduction, surplus stocks, and declining prices.

Developed countries, too, hold differing views as to which approach holds the most promise for solving the problems of world commodity trade.

While the United States supports examination of proposals for commodity arrangements on a case-by-case basis, experience with those that have been tried in the past has led the United States to regard them with skepticism.

The European Community, on the other hand, has indicated that it looks with favor on proposed negotiations looking to world commodity agreements for wheat, corn, rice, and sugar, as well as several tropical products.

The United Nations Conference on Trade and Development (UNCTAD) secretariat estimates that 60 percent of the export earnings of developing countries are derived from primary commodities, excluding oil.

Growing concern over commodity prices was the impetus for a February 1975 meeting in Dakar of developing countries. How the world should conduct its commodity trade was also the primary topic of a 2-week meeting convened by the UNCTAD's Committee on Commodities.

Under the leadership of Algeria, the developing countries have delayed the proposed world producer-consumer conference on oil because of their strong insistence that it also cover raw materials.

Meanwhile, the UNCTAD secretariat has taken the lead in putting forward a new proposal for an Integrated Program for Commodities (IP), which was discussed for the first time in February 1975 at the Geneva meeting of the UNCTAD Committee on Commodities.

While the committee did not endorse the IP proposal, it adopted a resolution calling for a program of further study at two future committee meetings to be held in 1975. The United States agreed that further study could be useful, but also pointed out that experience with past commodity arrangements suggests commodity problems do not lend themselves to generalized solutions.

The overall aim is to formulate detailed recommendations for action to be considered at the next ministerial-level UNCTAD conference to be held in May 1976—the fourth such conference to be held since the formation of UNCTAD.

While the UNCTAD world commodity plan is more imposing than some earlier schemes, many of the key concepts are familiar. The primary elements of the UNCTAD plan are:

- Establishment, under international management, of international stocks of 19 commodities, including 11 agricultural commodities.

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# Italy Strengthens Rail Transport To Cope With Expanding Harvests

By FRANK PIASON
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RAILROADS in Italy, transporters of 70-75 percent of the country's fruit and vegetable exports, are strengthening and expanding their shipper facilities and equipment to accommodate an increasing volume of this trade.

Italy's rail system leads all other modes of transport in traffic moving to export, partly because of the country's natural geography, and also because the rail system is operated with heavy subsidies for traffic moving to the frontiers.

These subsidies are even greater in the developing southern part of the country, where the Government has begun several programs designed to boost the economy of that area.

Alternative transport is offered by an excellent superhighway system, which, expanded considerably in recent years, offers the convenience of door-to-door service—an important factor in movement of perishable products, where time is a critical consideration.

However, diesel fuel costs are an important element in the movement of farm products, and the greater degree of efficiency offered by rail transport compared with truck movements brings the advantages of the country's rail system more sharply into focus.

Italy's need for expanded exports in all categories is greater today than ever before. In 1973 (the latest year for which data are available), the country's trade deficit amounted to $5.6 billion. Farm product imports, accounted for $5.2 billion of this total.

Fruit and vegetable exports (both fresh and processed) in 1973 made up for 57 percent of Italy's nearly $2 billion agricultural export trade. Fresh fruit was valued at $425 million; wine, $304 million; fresh vegetables, $158 million; citrus, $63 million; and canned fruit juices, $16 million. Fresh fruit and vegetable exports comprised one-third of total agricultural exports.

Apples—Italy's largest export crop—move about half by rail and half by highway, mainly because the major orchards are located in the northern part of the country. The same pattern holds also for pear shipments. But rail shipment is overwhelmingly preferred for transport of such crops as potatoes, lemons, oranges, lettuce, cauliflower, onions, and carrots. These items are grown chiefly in southern Italy, where rail transport offers lower rates and shipper services that other modes can not match.

Strawberries, because of their high rate of perishability, move chiefly by highway, and small quantities move by air—the only major Italian crop utilizing air transport. Several farm associations are studying the feasibility of using air transport for other agricultural products.

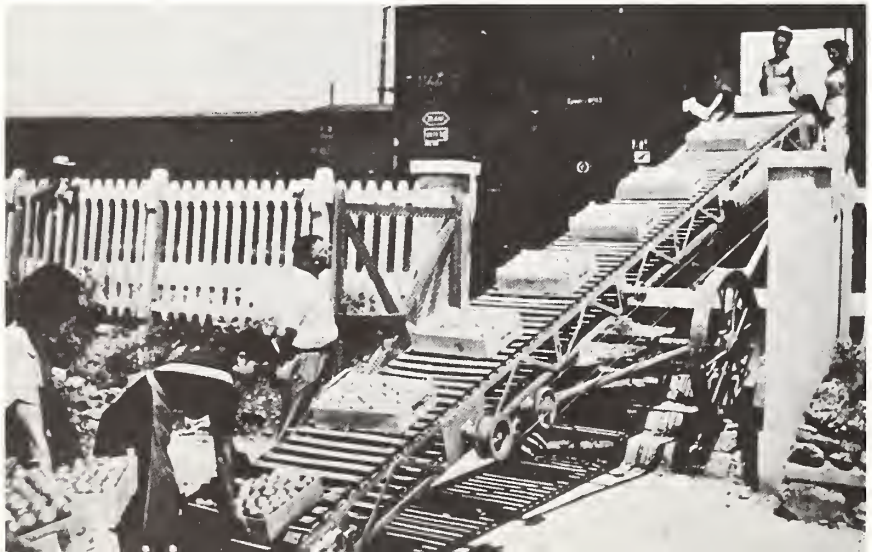
Sea transport, so important to Italy's imports, is little used for fruit and vegetable exports except for items that are destined for ports beyond Western Europe. Pears and lemons, for example, move by water to East European ports and to the Soviet Union through Odessa, and onions are shipped by water to the United States.

Italy's use of containers in the fruit and vegetable export trade is extremely limited, amounting to only several metric tons of apples and pears in January-April 1974—the first period for which such data are available.

There is, however, a proposal for developing a port for container shipments at Palermo or Catania. Such shipments would move by ship to Trieste or Genoa, where container facilities for handling imports already exist, for offloading to trucks and trains. Except for some limited activity in container shipments between Sicily and Genoa, the proposal remains an idea for the future.

The dispersed and fragmented nature of fruit and vegetable production and the increased commercialization of these products in recent years have prompted some revisions in Italy's rail

*Italian workers load fresh tomatoes aboard a modified controlled-temperature railway car for transport to market (below). Artichokes—another perishable product—being stowed for shipment (right). Italy's Government-owned railroads are planning to spend about $3 billion for new cars, tracks, and tunnels.*



network. These revisions include increasing the number of freight stations, more investment in loading and unloading equipment, and expanding the availability of refrigerated cars. Also, new attention is being paid to speeding deliveries, and to reducing the layover times at national borders.

The number of rail stations capable of handling freight has been increased from 463 in 1952 to 727 in 1972. In northern Italy, station numbers rose from 191 to 383; central Italy, 59 to 65; southern Italy, 146 to 191; and in Sicily and Sardinia, from 67 to 89.

Emilia-Romagna, a highly productive region for fruits and vegetables, has the most stations, and such important growing areas as Puglia, Trentino-Alto Adige, and Veneto are served by large numbers of rail stations. Beyond the rail stations, 2,238 central warehouses in 1972 were keyed to distribution by way of the country's rail network. Of this total, 1,049 are in the north. Of all central warehouses, 889 are directly connected by rail sidings to stations. These connected warehouses plus the number of stations equipped for handling freight make an effective total number of loading points of 1,616.

The insulated car sector of the rail transport industry has progressed considerably in recent years, although at peak harvest times—notably July-September—there are often too few controlled-temperature cars for the large volume of commodities requiring transport.

Expansion of Italy's irrigated acreage and increased consumer demand augur further production growth in the fruit and vegetable sector of the agricultural economy. If Sicily, for example, is to take advantage of structural reforms and thus increase its citrus exports, ways will have to be devised to speed the ferrying of freight across the Strait of Messina. Freight cars loaded in Sicily with farm products sometimes are compelled to wait several days to be loaded on ferries for transport to the mainland.

The total number of freight cars available in 1974 was 11,467, with a total capacity of about 515,000 cubic meters, up from 9,517 cars in 1971 and a 50 percent increase in volume—totals that compare favorably with those of other Mediterranean countries.

About 75 percent of the total freight car fleet is owned by the Government, and the rest by Interfrigo, a semiprivate European rail car pool organization. Quick-perishing products, such as peaches, cherries, and strawberries, are particularly dependent on refrigerated car services.

Improvements in refrigerated storage capacity on the part of exporters in the south must necessarily go along with continuing development of the rail network. Added storage capacity is needed to prevent periods of flooding the market, and to be able to control the flow of agricultural products into the marketing system to allow sales at the most favorable times. Some help for this type of expansion may be forthcoming from Government development funds for improvements in the southern area.

Italian freight trains are moving faster toward their destinations, with average speed in 1974 estimated at about 27 miles per hour, compared with 25 mph in 1960 and only 17 mph in 1950. Other improvements include use of high-speed international trains, doubling of some sections of track, the renovation of plants for switching stations, and reduction of waiting and layover periods.

Early in 1975, the Government approved a 5-year plan to spend about $3 billion to improve Italy's rail system. About $2.2 billion is to be spent on modernizing railroad infrastructures such as tracks and tunnels, with emphasis on the central-south region. The remainder of the money is for additional freight cars.

Farm products moving from the more remote sections of southern Italy and the islands can gain most from the improvements in time-saving. However, much room for improvement remains, in view of the lengthy delays that plague the rail system at harvest times and during occasional strikes.

## Irish Milk Output, Exports Down, But Outlook Good

The outlook for dairying in Ireland is still good, despite a 3 percent reduction in milk production in 1974 that curtailed dairy exports. Government and farm organizations are encouraging small farmers to stay in dairy production—although the work is harder—since returns are higher and assured.

The Irish Dairy Board has set a target of 600 million gallons of manufacturing milk for 1975 and 1 billion by 1980. Cow numbers are below the 1974 level, however, and even with good weather, production is unlikely to exceed the 1974 level of 569 million. Total production, including fluid milk, should amount to about 862 million.

Emphasis will be on increasing cheese production again. With cattle numbers declining to more reasonable levels, and very good weather so far this year, pasture and feed conditions may improve over those of last year.

Big price increases for butter, which is about 41½ pence per pound (1 pence=about 2.4 US cents) compared with 28 pence in 1974, are expected to cut home consumption by 10 percent. However, cheese prices are expected to continue to climb, especially as meat prices rise.

Exports during 1974 were limited by the fall in milk production, and the Irish Dairy Board says it could have sold much more dairy produce around the world. Unlike some EC countries, Ireland has made little use of intervention yet for dairy products.

Butter exports totaled 35,300 metric tons in 1974, 27 percent below those of 1973. The main buyer in 1974 was again the United Kingdom, which took about 32,000 tons. The United Kingdom also took most of the cheese exports, which at 44,000 tons were 14 percent over the 1973 total. The United States took 5,300 tons.

There was a big drop in skim milk powder exports, which fell 29 percent to an estimated 80,000 tons. The United Kingdom took 11,000 tons and most of the remainder was shipped to South American countries.

Exports of chocolate crumb declined from 52,500 tons in 1973 to 45,500 tons in 1974. Of the 1974 total, the United Kingdom again took the bulk—about 42,700 tons—while the United States took only about 170 tons.

—Based on a report from
*Office of U.S. Agricultural Attaché*
*Dublin*

# Australian Dairy Exports Up Sharply in '73-74 and '74-75

AUSTRALIAN DAIRY exports totted up a good year in 1973-74, and the outlook for the 1974-75 marketing year —sparked by a 12 percent devaluation of the Australian dollar in September 1974—also appears strong. Exports will likely absorb at relatively good prices all products in excess of domestic requirements.

Butter and whole milk production is expected to be down in 1974-75 as it was the previous year, due to a continuing downward trend in cow numbers. Cheese production should be on the upswing again.

The value of Australia's dairy exports in fiscal 1973-74 rose sharply to A$160.4 million[1]—a gain of 14 percent from the year before—and is estimated at A$183.6 million in 1974-75, a 16 percent gain.

Record shipments of cheese and butter to Japan, the temporary expansion of U.S. import quotas for skim-milk powder and cheese, continued strong demand for butter by Canada, and a large forward sale of skim-milk powder to Mexico were the export highlights for the past marketing year. There is excellent potential for the reconstitution of dried milk in the Middle East.

Butter exports fell to A$42 million in 1973-74, but are recovering to an estimated A$46.3 million in 1974-75. A rise in cheese exports is anticipated—from A$29 million in 1973-74 to A$30 million in 1974-75. Exports of dried milk products are gaining sharply from A$72.5 million to an expected A$98.8 million.

Australia's dairy farmers have not been hit hard by the sharp increase in concentrated feed prices. The industry is virtually all forage (pasture) based. Seasonal conditions remain generally good, although there is some concern about the prospect of a dry autumn in some areas. This would call for an increase mainly in the feeding of hay, which appears to be in good supply in most areas.

Australian whole milk production in the 1973-74 marketing year totaled 7.1 million metric tons, down 3 percent from the year before. Production in 1974-75 is expected to be down again, and has been forecast at 6.6 million tons. The decline is due to a downward trend in cow numbers.

Cow numbers dropped by 5 percent to 2.5 million head in 1974. This was the largest annual reduction in the past decade. Rising farm costs and the shortage of qualified farm labor have been big factors in the shift from dairy to beef. However, the sagging beef market could slow this trend in the short term.

Butter production in 1973-74 totaled 175,500 tons, down 5 percent from the previous year's. Butter output in 1974-75 is expected to decline another 11 percent to 158,000 tons.

In the face of active export demand later in the past fiscal year, the Australian Dairy Board was forced to control exports in order to ensure adequate supplies for the domestic market. Butter prices rose during the year due partly to higher margarine prices, but also because of the record butter sales to Japan.

Cheese output in 1973-74 totaled 96,000 tons, an increase of 2.6 percent over the previous year's. The increase in cheese production was due to a slight price advantage for cheese over butter skim-milk powder production.

However, cheese production is expected to slide downward a bit in 1974-75 to 95,000 tons, about 1 percent below that of the year before. This is partly due to the reduction in manufacturing milk supplies and also to the price improvement for the combination of butter skim-milk powder.

THE LONG-TERM outlook for cheese is considered to be much brighter than for butter. Prices for cheese are expected to remain relatively high for some time. The best prospects for export sales of cheese are on the Japanese market.

The sharp increase in the price for skim-milk powder led to a strong increase in output. Production of all dried nonfat products increased from 132,000 tons in fiscal 1973 to 157,000 in 1974. Another small rise in output is expected in fiscal 1975.

The minimum export price for spray-dried skim-milk powder advanced from A$384 per ton to A$700 during the 1973-74 marketing year. The current export price is about A$585 per ton.

The export price of casein rose from A$659 per ton to A$1,500 during the same period. Some easing in dried milk prices is possible, but the outlook is still favorable for the remainder of fiscal 1975.

Australian milk production is expected to decline again in 1974-75, meaning less product available for manufacturing purposes. The production of all processed dairy products will be down except for dried milk products, which will be up slightly.

Prices of dairy products are expected to remain favorable due largely to a strong export market.

There is little prospect of any growth in the domestic market for dairy products in the coming year. Total domestic consumption has remained fairly constant while per capita consumption has declined over the past decade.

The Australian dairy industry will be facing some difficult policy decisions in the months ahead concerning its dairy price equalization scheme. The scheme has largely been held together by the Government bounty system, but this will be terminated on July 1, 1975.

There is concern that a breakdown in this scheme, which equalizes prices on the domestic and export markets, could lead to a price war and pull domestic prices down to the export level and seriously erode the overall returns to dairy farmers.

A so-called industrywide think-tank committee has been established to formulate a new price equalization scheme for presentation to the dairy industry. The group is working on a price scheme that will meet both the short- and long-term needs of the dairy industry.

In another move, the Australian Agriculture Council has decided to increase the production quotas on margarine by 50 percent for 1975. The Government plans to abolish all quotas on margarine production after July 1, 1976. The dairy industry views this move as strong competition in the "yellow fats" market where butter has already been facing problems.

—Based on a report from *Office of U.S. Agricultural Attaché, Canberra*

[1] **A$1.00=US$1.325, as of April 1975.**

## Soviet Grain Crop

*Continued from page 7*

counted for only 15 percent. During the good 1973 harvest, however, the wheat share declined to 64 percent and feedgrains rose to 22 percent, primarily because of procurements of nearly 18 million tons of barley. During 1970-72, barley purchases averaged only 17.1 million annually.

Soviet demand for livestock feed has been rising rapidly and is expected to continue increasing for a number of years. During the current 5-year plan, part of the feed shortfall has been filled by imports. A large share of livestock feed has also come from lower quality grains, especially wheat that has been stored on the ground.

CURRENT PLANS call for further expansion of feedgrain acreage, especially for corn and barley. Although farmers have been encouraged to follow this trend, progress has been slow, especially in corn production. Consequently, no rapid shift to feedgrains is anticipated, although barley output has increased significantly.

Soviet efforts to expand production of pulses have been relatively successful, although production is still insufficient to meet the growing demand. Interest in expanding production of soybeans is also developing. Progress, however, has been slower than for pulses, leaving soybeans practically at a standstill.

With per capita consumption of grains gradually declining, the Soviet Union is expected to nearly maintain its self-sufficiency in wheat, with the exception of small quantities imported for blending. Grains, for feed use, however, will continue to be in short supply and imports could range between 2 million and 5 million tons annually for a number of years to come.

Soviet plans to expand livestock numbers and products appear to be an irreversible commitment that will be maintained at all costs. Despite important gains during the past several 5-year plans, progress in meeting feedgrain needs for livestock production to any large extent through domestic production will continue to be slow and below levels of requirements. Consequently, the Soviet Union is expected to be an important buyer of grains—notably feedgrains and soybeans—on world markets.

## *WORLD WEATHER*

World crop prospects appear favorable at this time. North American crops are generally in good shape and planting, although delayed in spots, appears to be advancing well. The same is true in most of Europe, where April began with snow and cold and ended rather hot. In the USSR, however, it has been mostly warm, windy, and dry in many important agricultural areas. Timely precipitation during the growing season will be especially needed this year.

Spring rains have improved conditions considerably in China, where Manchuria remains the only large dry area. There are signs that the rainy season is beginning even there.

Prolonged dry weather has worsened prospects in Greece with its normally dry summer coming up, and in much of the Caribbean, where summers are usually quite wet. April was unusually hot and dry in Thailand and Indochina, causing stress to early seeded crops; shower activity increased in May.

**GRAIN:** Winter grains are doing nicely in North America, with problems limited mostly to areas that tend to be dry. Mexico is harvesting what it expects will be a record wheat crop. However, drought reduced sorghum production in the important state of Tamaulipas.

In Europe, growth of winter grains was hampered by cold in many countries. The weather has tended to be much warmer since late April, and crops have made up some of the lag.

Although early April cold also delayed wheat growth in the western Mediterranean region, above normal precipitation was beneficial and improved wheat yield prospects in Spain, Portugal, Morroco, and Algeria.

In April, precipitation was above normal in Western European USSR, Krasnodar Kray, and much of the eastern half of the New Lands. The middle and lower Volga, North Caucasus (except Krasnodar), southern Urals, and western Kazakhstan were quite dry.

Elsewhere, seeding has begun in the Canadian Prairie Provinces with improved soil moisture. European growers have caught up with planting after a slow start and are now close to schedule.

Rainy weather began in North China in mid-April after a prolonged dry spell. The rains were in time to enhance heading and filling of winter wheat and provide a nice start for corn and soybeans.

In Thailand, near record heat and dry weather threatened corn, sorghum, and other early-seeded crops in April. High yielding varieties grown on irrigated land in India and Pakistan accounted for increased production despite below normal rainfall.

**SUGAR.** Wintry weather in much of North America and Europe retarded planting of sugarbeets until mid-April and damaged young beets in Spain. Since then less frequent precipitation and more seasonal temperatures allowed growers to catch up and generally meet optimum schedules.

Planting advanced ahead of normal in most of the USSR. Beets are off to a very good start in Turkey and Iran. Extended drought has limited irrigation water supplies in Greece and diminished production prospects.

**HORTICULTURE.** Spring cold caused much damage to deciduous fruits and nuts in Spain and France, and affected fuits to a lesser extent in other countries of Western Europe. The late spring and saturated soils have caused some concern among German hop growers. And the drought in Greece would be expected to limit fruit and vegetable production.

**FORAGE.** Cold weather limited forage availability in much of North America and Europe until May, while, in the USSR, these crops provided unusually early feed thanks to a mild winter and spring. By and large, weather has been favorable for pastures in China, Brazil, and Argentina, but too dry in interior areas of Australia.

**OILSEEDS AND COTTON.** Harvest of cotton and soybeans has benefited from good weather in Brazil. Rains have provided these crops, and also peanuts, a good start in China. Flooding necessitated major replanting of cotton in Turkey.

# CROPS AND MARKETS

## GRAINS, FEEDS, PULSES, AND SEEDS

### Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

| Item | May 27 | Change from previous week | A year ago |
|---|---|---|---|
| | *Dol. per bu.* | *Cents per bu.* | *Dol. per bu.* |
| Wheat: | | | |
| Canadian No. 1 CWRS-13.5 | 5.17 | +14 | 4.96 |
| USSR SKS-14 | (1) | (1) | (1) |
| French Milling [2] | 3.30 | 0 | (1) |
| U.S. No. 2 Dark Northern Spring: 14 percent | 4.61 | +4 | 5.08 |
| U.S. No. 2 Hard Winter: 13.5 percent | 3.84 | −6 | 4.64 |
| No. 3 Hard Amber Durum | 6.67 | −4 | 6.61 |
| Argentine | (1) | (1) | (1) |
| U.S. No. 2 Soft Red Winter | 3.40 | 0 | (1) |
| Feedgrains: | | | |
| U.S. No. 3 Yellow corn | 3.04 | −6 | 3.35 |
| French Maize [2] | 3.14 | +1 | (1) |
| Argentine Plate corn | 3.81 | −5 | 3.76 |
| U.S. No. 2 sorghum | 2.92 | 0 | 3.15 |
| Argentine-Granifero sorghum | 2.92 | +5 | 3.15 |
| U.S. No. 3 Feed barley | 2.02 | −3 | (1) |
| Soybeans: | | | |
| U.S. No. 2 Yellow | 5.93 | +13 | 6.35 |
| EC import levies: | | | |
| Wheat | 1.83 | 0 | .40 |
| Corn | 1.12 | −3 | .31 |
| Sorghum | 1.29 | 0 | .66 |

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

### Chile's Wheat Production On the Upswing

Wheat production in Chile is currently estimated at 900,000 metric tons in 1975—about 23 percent above the 1974 level of 734,000 tons. Increased output is attributed mainly to a larger wheat area—up 17 percent over 1974's—and improved yields. Increased price supports, which are now at record levels, also contributed to higher production. Despite the substantial increase in production, wheat imports are expected to be on the order of 800,000 tons—about 10 percent less than 1974's.

### Turkey Issues Tender For Wheat

Turkey's State Soil Products Office has issued a tender for 500,000 metric tons of wheat for shipment between July 1-November 25, 1975. This tender comes in the wake of the Turkish import firm's refusal to honor two contracts for U.S. wheat covering a total of 400,000 tons. The firm explains that current wheat prices are significantly lower than when the contracts were written last year.

### Soviet Spring Continues To Be Hot and Dry

Hot, dry weather continued its hold over most major agricultural regions of the Soviet Union during the first 20 days of May. Temperatures in much of European USSR averaged 7-10°F above normal, while precipitation from the eastern Ukraine through western Kazakhstan was generally half of average or less for the period. However, in eastern Kazakhstan and western Siberia temperatures were lower than normal—by almost 10°F during the second 10 days of May. The cool weather was accompanied by above-average precipitation.

A total of 106.9 million hectares (1 hectare=2.471 acres) had been sown to spring crops by May 19—72 percent of the planner area. Small grains and pulses accounted for 64 million hectares, or 66 percent of the plan. Seeding progress remains somewhat ahead of 1974, but is starting to fall behind the area seeded by May 19 in 1972 and 1973, probably because of the cool, rainy weather in the eastern regions.

### Chinese Grain Crop Prospects Favorable

As of mid-May, prospects for the 1975 grain crop in the People's Republic of China appeared favorable. Timely rains in mid-April alleviated the drought conditions in most areas in northern China, and a good wheat harvest is indicated at this time. The acreage in both winter and spring wheat has been increased over last year's as well as wheat acreage under irrigation.

Although Heilungkiang Province, an important spring wheat area, appears to be suffiering from insufficient precipitation, spring wheat in most other areas was sown under good conditions. The acreage in corn, sorghum, and millet may have been expanded as a result of mid-April rains.

Transplanting of the early rice crop has been completed. However, excessive rainfall caused some problems with transplanting in some areas, and significant expansion in early rice acreage is doubtful.

### P.L. 480 Agreement Set With Guinea

P.L. 480 activity in the April 30-May 21 period included a new agreement with Guinea, providing soybean oil, wheat, and rice and an amendment to the Bangladesh agreement, providing for soybean oil. Total purchase authorizations during the period provided for an additional 73,800 metric tons of rice; 17,500 tons of wheat and wheat flour; and 8,600 tons of soybean oil.

Guinea's new Title I agreement was signed May 9, providing for 15,000 tons of rice, valued at $6.03 million; 7,500 tons of wheat flour, valued at $1.85 million; and 1,500 tons

of soybean oil, valued at $1.2 million. A purchase authorization was issued to Guinea for the full amount in the agreement, although price amounts were slightly lower, reflecting new market conditions. Under the purchase authorization, Guinea was provided the 7,500 tons of wheat flour at a $1.6 million value, the 15,000 tons of rice at $6 million, and the 1,500 tons of soybean oil at $1.1 million.

Bangladesh's amendment to its October 4, 1974, agreement was signed May 21, and provided for 7,100 tons of soybean oil, valued at $5.5 million. A purchase authorization was issued for the full amount, with a market value of $5 million.

Other purchase authorizations were issued to Honduras—for 10,000 tons of wheat, valued at $1.6 million—and to the Korea Silo Company—for 8,800 tons of rice, valued at $3.1 million.

In another action, a purchase authorization issued March 19 to South Vietnam was revoked. None of the wheat had been shipped.

Agreements for wheat and flour in the P.L. 480 program thus far in fiscal 1975 provide for 2,997,500 tons, valued at $509.5 million. Purchase authorizations have been issued for 2,896,500 tons of wheat and flour, valued at $470 million.

Agreements for rice to date provide for 690,300 tons, valued at $282 million and authorizations total 684,300 tons, valued at $277.9 million.

Agreements for soybean oil provide for 8,600 tons, valued at $6.6 million, and authorizations total 6,600 tons, valued at $6.1 million.

## OILSEEDS AND PRODUCTS

### Soviet Sunflowerseed Crop Up, But Below Expectations

Latest seeding information indicates planted sunflower acreage in the USSR about the same as last year's 4.69 million hectares. Assuming normal weather and the expected trend increase in yield, FAS has forecast 1975 Soviet sunflowerseed production at 6.9 million metric tons, 140,000 tons above 1974's output but 500,000 tons below that produced in 1973 and the amount planned for 1975.

The increase in anticipated oil output from the 1975 crop (approximately 60,000 tons) is expected to be consumed domestically in the USSR and should not spur any increase in exports. This year the Soviet Union is expected to export 450,000 tons of sunflowerseed oil (oil basis).

## FRUIT, NUTS, AND VEGETABLES

### Australia To Allow Duty-Free Entry Of Canned Tomatoes and Paste

As a result of short crops of processing tomatoes in Australia during 1973 and 1974, caused by wet conditions in major producing areas, processors and importers have increased their requests for duty-free entry under customs bylaw for paste and canned whole tomatoes. Although grower groups opposed such liberalization of imports, the Department of Customs and Excise, after consulting the Industries Assistance Commission, has adopted a new policy that will permit the inflow of duty-free tomato products under certain circumstances.

Two conditions were set for duty-free imports of tomato products. There must be a local production shortfall; and the landed price of the product must be greater than the reference price for a comparable local product.

If these conditions exist, canners and food manufacturers will be permitted to import the goods under bylaw, provided landed costs of imports under the bylaw equal the local established price, and measures to prevent stockpiling of the imported product are put into effect.

Under the previous bylaw, now expired, tomato paste for further processing could be admitted duty-free provided it was landed before December 31, 1974, and was further processed into food products by January 31, 1975. A minimum import price was also in effect, based on an assessment of $20.60 per ton for each percent of dry weight content.

Although Australia is not a large import market (4,200 metric tons of tomato paste imports in 1973), the United States is a substantial supplier of tomato paste. Changes in the import bylaw could affect future shipments. The fact that imports will be equated to the domestic price will provide the domestic growers freedom from import competition and in turn could result in expansion of production, if the raw product price is increased accordingly.

### Frosts Damage Fruit Crops in France

Frosts of late March and carly April affected fruit prospects in the southwest part and in the Rhone Valley of France. Total production of peaches and nectarines is expected to be 200,000 metric tons, compared with an average of 550,000 tons. About 90 percent of the apricot crop was reported lost; only fruit in the Gard and Drome, which produces a little less than 10 percent of French output, was undamaged.

### Chilean Dried Fruit Declines in 1975

Chile reports a smaller 1975 dried fruit pack. The 1975 production is estimated at 6,000 metric tons, 8 percent below the 1974 pack of 6,490 tons. Prunes, the major item, are estimated at 3,800 tons, 7 percent below the 1974 pack of 4,100 tons. Peach production is estimated at 1,300 tons (1,400 in 1974), and raisin production, at 600 tons (650 in 1974). Production of other dried fruit items is estimated at 300 tons.

### Australian Canned Fruit Pack Shows Increase for 1975

Australian 1975 canned deciduous fruit production is estimated at 8.4 million cases (basis 24/2½) 14 percent more than the 7.39-million-case pack in 1974. The peach crop was larger than the short one in 1974, but heavy rains during the growing season caused disease problems in canning pears.

Production, in million cases, with 1974 output in parentheses was estimated as follows: Apricots, .61 (.55); peaches, 3.5 (2.5); pears, 2.8 (3.1); and mixed fruit, 1.5 (1.4).

Minimum 1975 grower prices are significantly higher than 1974. The Fruit Industry Sugar Concession Committee established the following minimum purchasing prices, per metric ton: Clingstone peaches, clear centers, $244.80; Bartlett pears, $170; and apricots $238. These prices are the minimum that canners can pay to qualify for rebates on the wholesale price for sugar used in fruit canning.

Exports reflected the short 1974 crop. Preliminary statistics indicate a calendar 1974 total of slightly less than 5 million cases, 43 percent less than 1973. Exports totaled 1.7 million cases of peaches, 2.1 million cases of pears, 1 million cases of mixed fruit, and some 149,000 cases of apricots. The United Kingdom is Australia's largest deciduous fruit market. Canada, Continental Europe, and Japan are also important markets.

## SUGAR AND TROPICAL PRODUCTS

### Thailand's Kenaf Exports Decline in 1974

Thailand's kenaf exports in calendar 1974 have been estimated at 219,680 metric tons, valued at $39.1 million. Export volume for 1974 dropped about 9 per cent when many countries, such as Hong Kong, the Philippines, Portugal, and Spain, reduced their purchases of kenaf, Spain, Portugal, Hong Kong, and the Philippines decreased their imports of Thai kenaf 91 percent, 63 percent, 56 percent, and 51 percent, respectively.

Some countries that had purchased Thai kenaf in 1973 did not buy from Thailand in 1974. Only South Vietnam increased its purchase of Thai kenaf—from 1,202 metric tons in 1973 to 4,805 metric tons in 1974. Exports of kenaf in calendar 1973 were 239,943 tons, valued at $49.4 million.

### India Removes Export Duty On Jute Carpetbacking

Effective May 3, the Government of India removed the export duty on jute carpetbacking to improve the competitive position of the commodity with synthetic substitutes in international markets, especially the United States. The export duty had been Rs 200 (about $25) per ton.

This action was taken because of India's concern over the falloff in export contracts during the first quarter of 1975. Export volume during this period is reportedly half that of the first 3 months of calendar 1974. Export duties on other categories of jute goods, where leviable, remain unchanged.

### Jamaica Subsidizes Citrus To Expand Industry, Markets

The Government of Jamaica recently announced it will pay US$1.1 million in subsidies to stimulate citrus production and place Jamaican citrus products on a competitive basis in world markets. Previous Government assistance to the industry has included over-draft facilities up to J$1.3 million (J$1=91 US cents, as of March 1975) for the Citrus Growers Association Limited (CGA) and subsidization of fertilizer and seedlings supplied to growers. In conjunction with the new moves the government will for the first time participate in the administration of the citrus industry through placement on the CGA board of a representative from the Ministry of Finance and one from the Ministry of Agriculture.

The new prices are geared to stimulate growers to deliver more fruit to processors for eventual sales overseas. Domestic fresh market prices have been reported to be more attractive to producers than those offered by processors.

The price paid to producers for sweet oranges delivered to processors between January and June of this year has been raised to J$1.31 a box from J$1.05; deliveries from July to December will fetch J$.86 instead of J$.60. Grapefruit for segments will be raised to J$1.07 per box from the previous J$.70; grapefruit for juice will be increased to J$.95 from J$.60; and sweet seeded grapefruit prices will be raised to J$.77 from J$.40.

Despite the announcement of the new Government moves, the Citrus Company of Jamaica, the island's second largest processor of citrus products, laid off 300 workers and discontinued its second-shift because of the low volume of fruit going to the factory and increased export competition.

## COTTON

### France's Low Cotton Imports Show Slight Improvement

France's depressed textile industry has slightly increased its purchases of raw cotton. The buying was stimulated by rising world cotton prices rather than by any improvement in currently subdued textile demand. Depressed mill activity this season is expected to hold France's cotton consumption to 920,000 bales and imports to 900,000 bales, declines of 14 and 15 percent respectively below last season's.

As in other West European countries, the decline in France's domestic and export textile sales—particularly severe since last November—has been aggravated by large imports of low-priced foreign yarn and cloth. The industry has requested European Community action to restrict such imports, so far without success. Rising production costs, depressed demand, tight official credit policies, and competition from imports have forced mills to cut sharply production of cotton and manmade fiber textiles in an effort to reduce accumulating unsold textile stocks. Reversing recent trends, manmade fiber use is more depressed than cotton this season because of higher manmade fiber raw material prices and some supply uncertainties.

Although mill use of cotton has declined by about one-third since its peak in 1960, France remains the second largest cotton consumer in Western Europe, behind West Germany.

### Turkish Cotton Export Sales Improve

Turkish cotton export prospects are now viewed much less pessimistically by both official and trade sources. Export sales for 1974-75 are expected to hit about 1.3 million bales (480 lb net)—previous estimates were under 1 million. Even so, uncommitted August 1, 1975, stocks would reach a record level of nearly 1 million bales, about 70 percent above normal pipeline needs. Turkish optimism stems from the initiation of export subsidies, coupled with price and demand improvements during April.

April sales pushed May 8 total export registrations to 1 million bales, about two-thirds of which remained to be shipped. Reportedly, purchases by traditional buyers—West Germany, the United Kingdom, and Italy—were bolstered by interest from Japan, Hong Kong, and Thailand.

Marketing cooperative unions, which purchased over two-thirds of the 1974 harvest in implementing the Government's minimum producer price scheme, have made 85 percent of the export sales. The cooperatives' sudden rise to dominance of

both domestic and export marketing is a direct result of Government financing of trading account losses.

Early May f.o.b. export prices for growths approximating strict middling (SM) 1-1/16 inches were 48 cents per pound, while approximate SM 1 inch quotes were 43 cents. Northern Europe c.i.f. quotes imply a delivery margin of about 6 cents per pound. Adana and Izmir spot prices were 8 to 10 cents above export price levels as the market continued sluggish, depending largely on domestic mill interest that was supported by the 25 percent yarn export subsidy.

Since mid-February, when Turkish offers were generally noncompetitive, the Government has advanced minimum f.o.b. export prices about 3 cents per pound. As this represents only about half of the upward movement in world cotton values, the competitiveness of Turkish growths has improved while Government losses should be somewhat lower.

# TOBACCO

## Canadian Flue-Cured Tobacco Prices Up, But Below U.S. Levels

The Ontario flue-cured tobacco season average price had settled at 90.17 Canadian cents per pound (98 Canadian cents=US$1) as the 1974 crop auctions closed for the season in late April 1975. While 7 cents above the 1974 crop guaranteed minimum, and nearly 11 cents above the 1973-crop average, this is below the US$1.05 season average for the U.S. flue-cured crop, with which Ontario flue-cured growers wanted price parity.

Ontario flue-cured auction volume totaled 238 million pounds for the 1974 crop, compared with the 1973 crop total of 233 million pounds. During the closing weeks, auction prices continued to decline and averaged 76 cents per pound in the final days, thus depressing the 1974 crop average price.

For the 1975 Ontario flue-cured crop, soon to be planted, negotiations between the Growers Board and the Manufacturers Council have set a reduced production target of about 200 million pounds, and fixed 94 cents per pound as the guaranteed minimum price.

## U.S. Share of Dutch Tobacco Market Slides

Dutch imports of U.S. tobacco leaf during 1974 declined to 29.8 million pounds, 8 percent below the 1973 level. While Dutch purchases from the United States (mostly flue-cured, air-cured, and dark fire-cured) have hovered around the 30-million-pound level in recent years, the U.S. share in this market has fallen steadily from nearly 36 percent in 1968 to about 22 percent in 1974. Total Dutch tobacco imports rose by over 50 percent in the same period, reaching 135 million pounds in 1974.

Dutch purchases of low-priced African leaf in 1974, at 40 million pounds, were nearly three times the 1968 level. Thus, African sources accounted for more than half the increase in Dutch leaf imports in the 1968-74 period. The Dutch trade expects African leaf prices to remain stable in 1975. A substantial rise in U.S. leaf prices could then further discourage expansion of U.S. exports to this market.

Trade sources report that the Dutch industry will reduce stocks in 1975 because of high carrying costs, and the expectation that cigarette consumption will remain stable, or decline as it did in 1974. A popular-priced pack of 25 cigarettes now costs about 80 U.S. cents in the Netherlands. This higher price has depressed consumption in Holland, and discouraged sales to Germans crossing the border.

Excise and value added taxes now account for 70 percent of the retail cigarette sales price in the Netherlands and are partially responsible for rising sales of cut tobacco for cigarette rolling.

Recxports of unmanufactured tobacco from the Netherlands have risen in recent years, to 25 million pounds in 1973.

# GENERAL

## Public Hearings Begin on World Trade Negotiation

Public hearings conducted by the Office of the President's Special Representative for Trade Negotiations to take testimony from interested persons in any matter relevant to the International Trade Negotiations and to the Generalized System of Preferences will start in early June. A tentative schedule for such hearings is listed below. Details relating to the hearings as well as a final schedule will appear shortly in the Federal Register.

Tentative schedule. June: 3—Washington, D.C.; 4-5—Hartford, Conn.; 6-7—Rochester, N.Y.; 9-10—Chicago, Ill.; 11—Wichita, Kansas; 12-13—Dallas, Texas; 16-17—New Orleans, La.; 19-20—Atlanta, Ga.; 23-24—Minneapolis, Minn.; 25-26—Portland, Oregon; 27-30—San Francisco, Calif. July: 1—Phoenix, Ariz.; 8—Philadelphia, Pa.

## Public Views on Trade Negotiations Invited

Secretary of Agriculture Earl L. Butz recently invited all interested parties to make known their views on the trade negotiations now under way in Geneva.

Under the terms of the Trade Act of 1974, interested persons are provided an opportunity to submit information and policy recommendations pertinent to the negotiation of any trade agreement.

Most of these comments will come through the nationwide International Trade Commission hearings, and through the nationwide public hearings to be held beginning in June by the Trade Policy Staff Committee made up of Executive Branch agencies. However, anyone is free to submit comments to any of the Agricultural Advisory Committees, established recently under the Trade Act of 1974 by the Department of Agriculture and the Office of the Special Trade Representative.

The Committees' purpose is to participate in the preparation and definition of U.S. bargaining positions for the trade negotiations, provide advice and information during the negotiations, and provide advisory opinion on the effects of agreements reached following the negotiations.

Those seeking to provide comments to the appropriate Agricultural Advisory Committee should submit their comments in writing to: Agricultural Advisory Committees, Foreign Agricultural Service Room 5606-S, U.S. Department of Agriculture, Washington, D.C., 20250.

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**FOREIGN AGRICULTURE**

## World Commodity Trade

*Continued from page 7*

• Financing of the holding of such stocks by an international common fund.

• Multilateral commitments to supplement the stocks scheme among buyers and sellers for purchase and sale over specified periods within agreed price ranges.

• An expanded and revised compensatory financing scheme to assist those countries for which stocking arrangements for multilateral commitments are either not feasible or which would not remedy fluctuations.

("Compensatory financing" means insuring countries against major declines in export earnings through an international fund which, under an agreed formula, makes up all or part of such shortfalls.)

• Trade measures (unspecified) to expand the processing of primary products in developing countries.

The 19 commodities to which the IP would apply are wheat, corn, rice, sugar, raw coffee, cocoa beans, tea, cotton, jute and manufactures, wool, hard fibers, rubber, copper, lead, zinc, tin, bauxite, alumina, and iron ore.

At the UNCTAD Committee on Commodities session, many of the developing countries exhibited a cautious attitude toward the UNCTAD proposal, which would entail the setting up of one giant stockpiling scheme.

This cautious attitude reflects in part the varying economic and political interests among these countries. Generally, the interest of individual developing countries focuses on a preference for early action on separate arrangements for particular commodities of special interest to them, rather than for an integrated program that could take longer to agree upon, would be cumbersome, and might not adequately reflect the developing nations' views on specific commodities.

Their concerns have been reinforced by recent declines in international economic activity that have renewed fears of overproduction, surpluses, and declining prices.

Developed countries were also cautious about expressing enthusiasm for the IP at the UNCTAD committee meeting. The United States took the practical stand that the problems of world commodity trade continue to require examination on a case-by-case basis, and favored a continuing search for solutions in appropriate international bodies.

The European Community, traditionally more favorable to commodity agreements than the United States, supported beginning negotiations without delay for international commodity agreements for wheat, corn, rice, and sugar, and indicated a willingness to negotiate on tropical products, including coffee and cocoa. In this connection, the EC on February 28, 1975, signed the Lomé Convention, which sets export stabilization guarantees with 46 developing countries covering several tropical products.

Some of the concepts embodied in the overall UNCTAD program are in fields for which other international organizations have primary responsibility and will be examined in those forums. Improvement of compensatory financing is under review by the International Monetary Fund, and the obstacles to expansion of exports by developing countries caused by escalated tariffs on semiprocessed and processed products are to come under review in the current multilateral trade negotiations (MTN).

Some developing countries are promoting the concept of indexation as a means of improving their trade. Essentially, this concept involves linking prices of key manufactured goods imported by developing countries to the prices of the primary products they export. The purpose is to link the two so that the export earnings of developing countries can be guaranteed at levels that preclude future erosion by inflation.

The indexation concept received little attention on the agenda of the Committee on Commodities, but may reappear in UNCTAD and other international forums. The UNCTAD secretariat is preparing further studies in response to a United Nations resolution on the subject.

The United States opposes the indexation concept, both on technical and policy grounds. The concept remains alive, however, in that a number of leaders of developing countries continue to view this avenue as a potential solution to their problems of economic growth.

The developed countries, working within the Organization for Economic Cooperation and Development (which is headquartered in Paris), also are in the process of examining commodity problems fully to determine whether—and what—can be done to improve world trade in commodities. This examination is limited at this time to industrial raw materials.

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